



**Division of Child Care and Early  
Childhood Education  
Audit and Integrity Unit**



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**MEMORANDUM**

March 31, 2016

TO: SFSP Participants

FROM: Mark Speight, HNU Interim Administrator

A handwritten signature in blue ink, appearing to read "Mark Speight".

RE: SFSP "Feeding" Site Rentals -- Unallowable Expenses

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This memorandum addresses the use of program funds to rent dining space in SFSP. Any site rentals that do not meet the below criteria are considered unallowable costs. Program funds may not be used to make these payments.

In accordance with FNS Instruction 796-4, Rev. 4 SFSP Financial Management, the costs incurred for rental of food service preparation facilities and food service equipment must meet the following criteria to be charged to the nonprofit food service account:

- Rental agreements must be in writing and indicate the responsibilities of the parties involved.
- Land may not be included in the rental costs. Facilities are considered to be buildings or parts of buildings used for the preparation of food.
- ***Rental of dining space which is not part of a school food service facility or a larger facility used for food preparation is not an allowable cost.***
- Allowable costs for the use of School Food Service Facilities for food service operations are charges billed to the institution for the opening, closing, and use of the school facilities, including the use of space for dining only.
- Only reasonable rental costs will be considered allowable. Generally, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property rented.
- Only the portion of the rent allocable to the SFSP operations may be charged to the nonprofit food service account.
- The costs must be approved in the SFSP budget application.
- If the rental agreement is a sale-leaseback arrangement, less-than-arms-length transaction or owned by the institution, the only costs that are allowable are the entities ownership costs such as depreciation, maintenance, taxes, and insurance.